1. BACKGROUND OF THE COMPANY AND PRINCIPAL ACTIVITIES

Techwayson Holdings Limited (the "Company") was incorporated in the Cayman Islands on 1 September 2000 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. Its shares have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 8 February 2001. During the year, the Company withdrew the listing of its shares on GEM. On 29 January 2003, the Company has by way of introduction listed its entire issued share capital on the Main Board of the Stock Exchange.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are investment holding, design, supply and integration of automation and control systems.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below.

(a) BASIS OF PREPARATION

The financial statements have been prepared in accordance with Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants ("HKSA"), accounting principles generally accepted in Hong Kong, and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The financial statements have been prepared under the historical cost convention.

In the current year, the Group has adopted, for the first time, the following SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 34 (revised)	:	Employee benefits

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) BASIS OF PREPARATION *(Continued)*

The adoption of these standards has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity, but has not had any significant impact on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

(b) BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30 June. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

(c) GOODWILL

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. In respect of acquisitions of subsidiaries and associates, positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life. Positive goodwill in respect of subsidiaries is stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses.

Negative goodwill arising on acquisition of subsidiaries represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. Negative goodwill is accounted for to the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated income statement when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated income statement over the weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated income statement.

In respect of any negative goodwill not yet recognised in the consolidated income statement for subsidiaries, such negative goodwill is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as positive goodwill.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) GOODWILL *(Continued)*

On disposal of a subsidiary, any attributable amount of purchased goodwill not previously amortised through the consolidated income statement is included in the calculation of the profit or loss on disposal.

(d) SUBSIDIARIES

A subsidiary is a company in which the Company directly or indirectly, controls more than 50% of its voting power or issued share capital or controls the composition of its board.

Investment in subsidiaries in the Company's balance sheet are stated at cost less provision for impairment loss, if necessary. The results of subsidiaries are accounted for by the Company to the extent of dividends received and receivable.

(e) TURNOVER AND REVENUE RECOGNITION

Turnover comprises revenue generated from fixed price contracts.

The Group enters into contracts with customers for the sales of system control equipment and software products and the provision of related system integration services. Revenue is recognised in accordance with the accounting policies described in (i) and (ii) below. Advance payments received from customers are recorded as receipts in advance.

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue is recognised on the following bases:

(i) Sales of system control equipment and software products

Revenue from sales of system control equipment and software products is recognised when the goods are delivered and/or the installation work is completed and the customer has accepted the goods together with the risks and rewards of ownership.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) TURNOVER AND REVENUE RECOGNITION *(Continued)*

(ii) Provision of system integration services

Revenue from the provision of system integration services is recognised by reference to the stage of completion of the system integration work at the balance sheet date. Stage of completion is generally determined by reference to the services performed to date as a proportion of total services to be performed. In instances where the stage of completion is not identifiable, revenue from the provision of system integration services is recognised on a straight-line basis over the period in which the system integration work is performed.

The Group prepares project timetables for all contracts signed with its customers. Revenue from provision of system integration services is recognised over the period of service set out in the project timetable. Project timetables are reviewed regularly. The effect of changes in the project timetable on the amount of revenue recognised is accounted for in the period in which the change is made.

(iii) Interest income

Interest income is recognised on a time-proportion basis on the principal outstanding and at the rate applicable.

(f) SEGMENT REPORTING

In accordance with the Group internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Unallocated costs represent corporate expenses. Segment assets consist primarily of software development costs, inventories and receivables and mainly exclude property under development and investment securities. Segment liabilities comprise operating liabilities and exclude items such as corporate borrowings.

(g) ADVERTISING AND PROMOTION

Costs of advertising and promotion are expensed as incurred.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) SOFTWARE DEVELOPMENT COSTS

Research expenditures are written off as incurred. Software development costs are also written off as incurred except for those incurred for specific projects which are deferred where recoverability can be foreseen with reasonable assurance and which comply with the following criteria: (i) the costs attributable to the product or process can be separately identified and measured reliably; (ii) the technical feasibility of the product or process can be demonstrated; (iii) there is intention to produce and market, or use, the product or process; (iv) the ability to produce or use the product or process can be demonstrated; (v) the existence of a market for the product or process or, if it is to be used internally rather than sold, its usefulness, can be demonstrated; and (vi) adequate resources exist, or their availability can be demonstrated, to complete the project and market or use the product or process.

Deferred software development costs are amortised on a straight-line basis over a period of not more than three years in which the related products or processes are expected to be sold or used, starting from the commencement of sales or the utilisation of the product or process.

(i) PRODUCT WARRANTY

The Group provides for estimated warranty costs in the period in which the related sales are recognised. Such provision is based upon historical experience and management's estimate of the level of future claims. Claims exceeding amounts previously provided are recognised as an expense in the period in which the claims become known.

(j) FIXED ASSETS AND DEPRECIATION

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Fixed assets are depreciated at rates sufficient to write off their cost less residual value over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	20% or over the lease term, if shorter
Equipment	18% to 20%
Furniture	18%
Motor vehicles	18%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives to the company.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) FIXED ASSETS AND DEPRECIATION *(Continued)*

The gain or loss on disposal of fixed assets is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(k) PROPERTY UNDER DEVELOPMENT

Property in the course of construction are carried at cost, less any identified impairment loss. Cost includes development and construction expenditure incurred and borrowing costs and other costs directly attributable to the development.

(l) IMPAIRMENT

Both internal and external sources of information are considered at each balance sheet date to assess whether there is any indication that assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

(m) INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method and includes costs of materials and, in the case of work-in-progress and finished goods, also direct labour and appropriate portion of overhead absorbed. Net realisable value is based on estimated selling price in the ordinary course of business, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(n) INVESTMENT IN SECURITIES

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

(o) BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use.

All other borrowing costs are charged to the income statement in the year in which they are incurred.

(p) PROVISION AND CONTINGENCIES

A provision is recognised when there is a present obligation, legal or constructive, as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

(q) OPERATING LEASES

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals payables under such operating leases are accounted for in the income statement on a straight-line basis over the periods of the respective lease.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) FOREIGN CURRENCY TRANSLATION

Individual companies within the Group maintain their books and records in the primary currencies of their respective operations ("functional currencies"). Transactions in other currencies during the year are translated into the respective functional currencies at the applicable rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in other currencies are translated into the respective functional currencies at the applicable rates of exchange in effect at the balance sheet date. Exchange gains or losses are dealt with in the income statements of individual companies.

The Group prepares consolidated financial statements in Renminbi. On consolidation, the assets and liabilities of group companies with functional currencies other than Renminbi are translated into Renminbi at the rate of exchange in effect at the balance sheet date, while income and expense items are translated at the applicable average rates of exchange prevailing during the year. Exchange differences arising from such translations are dealt with as movements of cumulative translation adjustment. There were no material cumulative translation adjustments during the years ended 30 June 2002 and 2003.

(s) RELATED PARTY

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(t) DEFERRED TAXATION

Deferred taxation is accounted for under the liability method in respect of timing differences between profit as computed for taxation purposes and profit as stated in the financial statements to the extent that a liability or asset is expected with reasonable probability to crystallise in the foreseeable future. Deferred tax asset is not recognised unless its realization is assured beyond reasonable doubt.

(u) EMPLOYEE BENEFITS

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(u) EMPLOYEE BENEFITS *(Continued)*

(ii) Contributions to Mandatory Provident Fund as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and a state-sponsored retirement plan organized by municipal government as stipulated by the regulations of the People's Republic of China (the "PRC") are recognized as an expense in the income statement as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

3. TURNOVER AND REVENUE

Turnover and revenue consisted of:

	2003	2002
	RMB'000	*RMB'000*
Income from fixed price contracts *		
– Sales of system control equipment and software products	**160,592**	115,249
– Fees for system integration services	**1,219**	28,020
Total turnover	**161,811**	143,269
Reversal of warranty provision	**39**	6,909
Sundry income	**1,040**	511
Interest income	**54**	122
	1,133	7,542
Total revenue	**162,944**	150,811

* *The Group's revenue from fixed price contracts excludes PRC value-added tax.*

Approximately 77% (2002: 99%) of the Group's turnover was made to top five customers for the year ended 30 June 2003.

4. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

Business segments

For management purpose, the Group's turnover is divided into two business segments: sales of system control equipment and software products and provision of system integration services and was further divided into two parts: Industrial automation services and Building automation services, which have been regarded as the Group reporting format during the year.

Industrial automation is divided into factory automation and control and process automation and control.

Factory automation and control refers to operations which manufacture individual items used mainly within the automotive, packaging and consumer goods industries. Products mainly consist of items such as programmable logic controllers (PLCs), robots, drives and standardised solutions.

Process automation and control refers to the continuous control solutions applied in processes where the main objective is to control the continuous production of products including raw oil, electricity and paper at preferred levels. Its products consist of process automation systems, distributed control systems (DCSs), control instrumentation and analytical products such as meters.

Building automation services comprise product lines and application solutions particularly targeted at building industries. Product lines for this market include security and alarm, ventilating, heating, fire protection, gas warning, air conditioning and access control systems.

4. SEGMENT REPORTING *(Continued)*

Business segments *(Continued)*

Segment information about these businesses for the year is presented below:

	Building automation *RMB'000*	Industrial automation *RMB'000*	Consolidated *RMB'000*
For the year ended 30 June 2003			
Revenue			
Sales of system control equipment and software products	2,105	158,487	160,592
System integration	509	710	1,219
	2,614	159,197	161,811
Segment results			
Sales of system control equipment and software products	175	41,444	41,619
System integration	266	604	870
	441	42,048	42,489
Sundry income			1,133
Unallocated expenses			(13,776)
Profit from operations			29,846
Impairment loss on investment securities			(16,324)
Finance costs			(456)
Profit before taxation			13,066
Taxation			(3,443)
Profit after taxation			9,623
Balance sheet			
Assets			
Segment assets			
Sales of system control equipment and software products	1,212	157,423	158,635
System integration	278	454	732
	1,490	157,877	159,367
Unallocated assets			174,230
Consolidated total assets			333,597

4. SEGMENT REPORTING *(Continued)*

Business segments *(Continued)*

	Building automation *RMB'000*	Industrial automation *RMB'000*	Consolidated *RMB'000*
For the year ended 30 June 2003 *(Continued)*			
Liabilities			
Segment liabilities			
Sales of system control equipment and software products	1,492	121,167	122,659
System integration	363	291	654
	1,855	121,458	123,313
Unallocated liabilities			28,432
Consolidated total liabilities			151,745
Other information			
Software development costs incurred			
Sales of system control equipment and software products	–	–	–
System integration	–	–	–
	–	–	–
Amortisation of software development costs			
Sales of system control equipment and software products	–	4,945	4,945
System integration	–	–	–
	–	4,945	4,945
Impairment loss on software development costs			
Sales of system control equipment and software products	–	–	–
System integration	–	–	–
	–	–	–

4. SEGMENT REPORTING *(Continued)*

Business segments *(Continued)*

	Building automation *RMB'000*	Industrial automation *RMB'000*	Consolidated *RMB'000*
For the year ended 30 June 2002			
Revenue			
Sales of system control equipment and software products	66,530	54,571	121,101
System integration	27,628	1,449	29,077
	94,158	56,020	150,178
Segment results			
Sales of system control equipment and software products	6,412	28,565	34,977
System integration	27,265	1,426	28,691
	33,677	29,991	63,668
Sundry income			633
Unallocated expenses			(15,911)
Profit from operations			48,390
Finance costs			(511)
Profit before taxation			47,879
Taxation			(2,849)
Profit after taxation			45,030
Balance sheet			
Assets			
Segment assets			
Sales of system control equipment and software products	301	58,565	58,866
System integration	15,635	336	15,971
	15,936	58,901	74,837
Unallocated assets			138,691
Consolidated total assets			213,528

4. SEGMENT REPORTING *(Continued)*

Business segments *(Continued)*

	Building automation *RMB'000*	Industrial automation *RMB'000*	Consolidated *RMB'000*
For the year ended 30 June 2002			
Liabilities			
Segment liabilities			
Sales of system control equipment and software products	64	8,892	8,956
System integration	1,151	461	1,612
	1,215	9,353	10,568
Unallocated liabilities			30,731
Consolidated total liabilities			41,299
Other information			
Software development costs incurred			
Sales of system control equipment and software products	–	6,927	6,927
System integration	–	–	–
	–	6,927	6,927
Amortisation of software development costs			
Sales of system control equipment and software products	–	4,946	4,946
System integration	–	–	–
	–	4,946	4,946
Impairment loss on software development costs			
Sales of system control equipment and software products	–	6,000	6,000
System integration	–	–	–
	–	6,000	6,000

4. SEGMENT REPORTING *(Continued)*

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of assets.

	2003	2002
	RMB'000	*RMB'000*
Revenue from external customers		
PRC (including Hong Kong and Macau)	**62,690**	150,178
Singapore	**65,327**	–
Taiwan	**20,300**	–
Korea	**13,494**	–
	161,811	150,178

All segment assets and capital expenditures are in the PRC (including Hong Kong).

5. FINANCE COSTS

	2003	2002
	RMB'000	*RMB'000*
Interest on bank borrowing and overdraft wholly repayable within 5 years	**172**	–
Interest on other borrowing wholly repayable after 5 years	**284**	511
	456	511

6. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging the following:

	2003	2002
	RMB'000	*RMB'000*
Staff costs		
Salaries and allowances (including directors' emoluments)	**7,544**	7,302
Contributions to defined contribution plan	**503**	217
	8,047	7,519
Less: Amount included in research and development expenditures	**(172)**	(1,286)
	7,875	6,233
Operating lease rentals of premises	**1,711**	2,024
Research and development expenditures	**524**	1,549
Advertising and promotion costs	**90**	419
Loss recognised for impairment in value of fixed assets	**–**	222
Depreciation of fixed assets	**1,228**	950
Amortisation of software development costs	**4,945**	4,946
	6,173	5,896
Less: Amount included in research and development expenditures	**(264)**	–
	5,909	5,896
Professional fees in respect of listing of the Company's shares on the Main Board of the Stock Exchange by way of introduction	**4,116**	–
Loss on disposal of fixed assets	**43**	38
Auditors' remuneration	**339**	408

Notes:

(a) Staff costs include provision for staff welfare and bonus fund of approximately RMB239,000 (2002: RMB468,000) provided by Techwayson Industrial Limited, a wholly-owned subsidiary established in the PRC. As stipulated by regulations in the PRC, the provision for staff welfare and bonus fund is determined at the discretion of the board of directors of Techwayson Industrial Limited. The fund can be utilised for the provision of special bonuses and for the collective welfare of the employees of the subsidiary.

7. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments payable to directors of the Group during the year are as follows:

	2003	2002
	RMB'000	*RMB'000*
Fees for executive directors	**–**	–
Fees for non-executive directors	**223**	257
Other emoluments for executive directors		
– Basic salaries and allowances	**1,043**	1,270
– Contributions to pension scheme	**14**	31
	1,280	1,558

During the year, two directors waived emoluments of RMB678,000 (2002: Nil). No incentive payment for joining the Group or compensation for loss of office was paid or payable to any director during the year (2002: Nil).

The emoluments of all directors for the year ended 30 June 2003 (2002: All) fall within the band of nil to RMB1,060,000 (equivalent of HK$1,000,000).

7. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS *(Continued)*

(b) Individuals with highest emoluments

Of the five individuals with the highest emoluments, one (2002: two) is a director whose emoluments are disclosed in Note 7(a). The aggregate of the emolument in respect of the other four (2002: three) individuals are as follows:

	2003	2002
	RMB'000	*RMB'000*
Basic salaries and allowances	**1,360**	1,854
Contributions to pension scheme	**25**	55
	1,385	1,909

During the year, no emoluments were paid to the five highest paid individuals (including directors and other employees) as inducement to join or upon joining the Group or as compensation for loss of office (2002: Nil)

The emoluments of all of the four (2002: three) individuals with the highest emoluments are within the band of nil to RMB1,060,000 (equivalent of HK$1,000,000).

8. TAXATION

Taxation consisted of:

	2003	2002
	RMB'000	*RMB'000*
Current taxation		
– PRC enterprise income tax	**1,874**	2,849
– Hong Kong profits tax	**106**	–
– Macau complementary profits tax	**1,463**	–
	3,443	2,849

8. TAXATION *(Continued)*

(a) Overseas income tax

The Company was incorporated in the Cayman Islands and is exempted from taxation in the Cayman Islands until 2020. The Company's subsidiaries established in the British Virgin Islands were incorporated under the International Business Companies Acts of the British Virgin Islands and, accordingly, are exempted from payment of British Virgin Islands income taxes.

(b) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 17.5% (2002: Nil) on the estimated assessable profit earned by a subsidiary operated in Hong Kong for the year.

(c) PRC enterprise income tax

Taxation arising in the PRC is calculated at the rates prevailing in the PRC.

Techwayson Industrial Limited, being a High-Tech enterprise and a wholly-owned subsidiary established and operating in a special economic zone of the PRC, is subject to the PRC enterprise income tax at a rate of 15%. However, it is exempted from the PRC enterprise income tax for two years starting from the first year of profitable operations after offsetting prior year losses, followed by a 50% reduction for the next eight years. The tax exemption period expired on 31 December 2000 and thereafter, the subsidiary is subject to the PRC enterprise income tax at 7.5% until 31 December 2008. The PRC Tax Bureau later shortened the tax reduction period after the tax exemption period. As a result, Techwayson Industrial Limited is subject to the PRC enterprise income tax of 7.5% for 3 years until 31 December 2003, and the other 3 years until 31 December 2006 provided it still be a High-Tech enterprise.

(d) Macau complementary profits tax

Macau complementary profits tax has been calculated at 15% on the estimated assessable profits arising in Macau.

There was no significant unprovided deferred taxation for the year ended 30 June 2003 (2002: Nil).

9. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders included a loss of approximately RMB22,365,000 (2002: RMB1,256,000) dealt with in the financial statements of the Company.

10. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 30 June 2003 is based on the consolidated profit attributable to shareholders of RMB9,623,000 (2002: RMB45,030,000) and the weighted average number of 350,000,000 shares (2002: 350,000,000 shares) in issue during the year.

No diluted earnings per share is presented as there were no potential dilutive ordinary shares in issue during the year ended 30 June 2003 (2002: Nil).

11. FIXED ASSETS

	The Group					
	2003					2002
	Leasehold improvements *RMB'000*	Equipment *RMB'000*	Furniture *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*	Total *RMB'000*
Cost						
Beginning of year	687	4,002	474	1,172	6,335	5,751
Additions	367	220	252	–	839	952
Disposals	(687)	(55)	(6)	–	(748)	(368)
End of year	367	4,167	720	1,172	6,426	6,335
Accumulated depreciation and impairment						
Beginning of year	408	2,448	163	326	3,345	2,208
Provision for the year	306	655	83	184	1,228	950
Disposals	(668)	(26)	(3)	–	(697)	(35)
Impairment loss recognised	–	–	–	–	–	222
End of year	46	3,077	243	510	3,876	3,345
Net book value						
End of year	321	1,090	477	662	2,550	2,990
Beginning of year	279	1,554	311	846	2,990	3,543

12. PROPERTY UNDER DEVELOPMENT

	The Group			
	2003			2002
	Land cost	**Development cost**	**Total**	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*
Beginning of year	**1,648**	**10,238**	**11,886**	–
Additions during the year	**380**	**56,025**	**56,405**	11,886
End of year	**2,028**	**66,263**	**68,291**	11,886

The property under development is located in the PRC and the Group has obtained the land use right certificate for the leasehold land with a lease period of 50 years in January 2003.

13. SOFTWARE DEVELOPMENT COSTS

	The Group	
	2003	2002
	RMB'000	*RMB'000*
Cost		
Beginning of year	**34,637**	27,710
Additions	**–**	6,927
End of year	**34,637**	34,637
Accumulated amortisation and impairment		
Beginning of year	**10,946**	–
Amortisation for the year	**4,945**	4,946
Impairment loss for the year	**–**	6,000
End of year	**15,891**	10,946
Net book value		
End of year	**18,746**	23,691
Beginning of year	**23,691**	27,710

The directors of the Company are of the opinion that the software will generate adequate revenue and profit (after considering normal selling costs) in the foreseeable future to recover the related development costs.

14. INVESTMENTS IN SECURITIES

	The Group	
	2003	2002
	RMB'000	*RMB'000*
Investment securities		
Equity securities – Unlisted, at cost	**51,940**	51,940
Less: Impairment loss	**(16,324)**	–
	35,616	51,940

Investment securities represent the Group's 18.52% holding of the registered capital of Tongling Huarui Electronic Materials Company Limited, a company incorporated in the PRC.

15. INVESTMENT IN SUBSIDIARIES

	The Company	
	2003	2002
	RMB'000	*RMB'000*
Unlisted shares, at cost	**67,638**	67,627
Due from subsidiaries	**47,266**	65,084
	114,904	132,711
Due to subsidiaries	**10,373**	363

Amounts due from subsidiaries are unsecured, non-interest bearing and not repayable until the subsidiaries are financially capable to do so.

15. INVESTMENT IN SUBSIDIARIES *(Continued)*

Details of principal subsidiaries as at 30 June 2003 are as follows:

Name of company	Place of incorporation/ operation	Issued and fully paid share capital	Percentage of equity interest attributable to the Group		Principal activities
			Directly	*Indirectly*	
Usualink Development Limited	British Virgin Islands/ British Virgin Islands	US$1,250	100%	–	Investment holding
Techwayson Industrial Limited *	PRC/PRC	HK$10,000,000	–	100%	Design, supply and integration of automation and control systems
Techwayson Management Limited	Hong Kong/ Hong Kong	HK$10,000	100%	–	Provision of management services
Techwayson Enterprises Limited	British Virgin Islands/ PRC	US$100	100%	–	Design and integration of automation and control systems
Techwire Enterprises Limited	British Virgin Islands/ British Virgin Islands	US$100	100%	–	Investment holding
Techwayson Trading Limited	Hong Kong/ Hong Kong	HK$10,000	100%	–	Trading of automation products
Realtop Limited	British Virgin Islands/ British Virgin Islands	US$100	100%	–	Investment holding

* *Techwayson Industrial Limited is a wholly foreign owned enterprise established in a special economic zone of the PRC to be operated for 15 years up to September 2012.*

Note: On 30 June 2003, a wholly-owned subsidiary namely 海維深科技(深圳)有限公司 was established in the PRC. Initial capital contribution to this subsidiary is due for payment within 3 months from date of incorporation. No capital contribution was paid as at the balance sheet date.

16. INVENTORIES

	The Group	
	2003	2002
	RMB'000	*RMB'000*
Raw materials	**78**	627
Work in progress	**2,198**	–
Finished goods	**–**	967
Merchandises	**9,703**	–
	11,979	1,594

No inventory was stated at net realisable value as at 30 June 2003 (2002: Nil).

17. TRADE RECEIVABLES

Trade receivables consisted of:

	The Group	
	2003	2002
	RMB'000	*RMB'000*
Trade receivables	**65,950**	48,019
Retention monies receivable *	**1,380**	1,533
	67,330	49,552

* *Retention monies are receivable upon expiry of the product warranty period, which is generally one to three years after completion of the contract.*

Customers are normally required to settle the debts within one month upon issue of invoices, except for certain well established customers where the terms are extended to two to three months.

Ageing analysis of trade receivables at the year end date is as follows:

	The Group	
	2003	2002
	RMB'000	*RMB'000*
0 – 60 days	**55,755**	33,655
61 – 90 days	**14**	168
91 – 365 days	**11,531**	15,729
Over 365 days	**30**	–
	67,330	49,552

18. TRADE PAYABLES AND BILLS PAYABLE

Ageing analysis of trade payables and bills payable at the year end date is as follows:

	The Group	
	2003	2002
	RMB'000	*RMB'000*
Trade payables		
0 – 60 days	**28,828**	7,295
61 – 90 days	**–**	1
91 – 365 days	**2,403**	45
Over 365 days	**4,632**	–
	35,863	7,341
Bills payable		
0 – 60 days	**51,416**	–

19. WARRANTY PROVISION

	The Group	
	2003	2002
	RMB'000	*RMB'000*
Beginning of year	**84**	6,946
Provision during the year	**6**	84
Utilisation of provision	**(24)**	(37)
Unused amounts reversed during the year	**(39)**	(6,909)
End of year	**27**	84

The warranty provision represents management's best estimate of the Group's liability under one to three years warrants granted on system control equipment and software products and system integration services based on historical experience and management's estimate of level of future claims.

20. LOANS PAYABLE

	The Group		The Company	
	2003	2002	**2003**	2002
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Other loans, unsecured	**16,696**	19,080	**16,696**	19,080

The above loans were not wholly repayable within five years and the maturity is as follows:

	The Group		The Company	
	2003	2002	**2003**	2002
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
On demand or within one year	**3,578**	3,578	**3,578**	3,578
More than one year, but not exceeding two years	**2,385**	2,385	**2,385**	2,385
More than two years, but not exceeding five years	**7,155**	7,155	**7,155**	7,155
More than five years	**3,578**	5,962	**3,578**	5,962
	16,696	19,080	**16,696**	19,080
Less: Amounts due within one year shown under current liabilities	**(3,578)**	(3,578)	**(3,578)**	(3,578)
	13,118	15,502	**13,118**	15,502

The loans bore interest at LIBOR plus 0.5% p.a. and are repayable in 16 equal instalments over a period of 8 years.

21. SHORT TERM LOANS PAYABLE

	The Group		The Company	
	2003	2002	**2003**	2002
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bank loan, secured	**30,000**	–	**–**	–
Other loan, unsecured	**2,000**	2,000	**–**	–
	32,000	2,000	**–**	–

The above loans are repayable on demand or within one year.

22. SHARE CAPITAL

The Company

Ordinary shares of RMB0.106 each (equivalent of HK$0.1)

	Number of shares	Amount
		RMB'000
Authorised:		
As at 30 June 2002	1,000,000,000	106,000
As at 30 June 2003	1,000,000,000	106,000
Issued and fully paid:		
As at 30 June 2002	350,000,000	37,100
As at 30 June 2003	350,000,000	37,100

Note: During the year, there was no changes in the company's authorised and issued share capital.

23. EMPLOYEE SHARE OPTIONS

The Company has an employee share option scheme, under which it may grant options to employees of the Group (including executive, non-executive or independent non-executive directors of the Company and/or any of its subsidiaries) to subscribe for shares in the Company, subject to a maximum of 10% of the issued share capital of the Company from time to time, excluding for this purpose shares issued on the exercise of options. The subscription price will be determined by the Company's board of directors and will not be less than the highest of (i) the nominal value of the Company's shares, (ii) the average of the closing price of the shares quoted on the Main Board of the Stock Exchange on the five trading days immediately preceding the grant date and (iii) the closing price of the shares on the grant date. No option has been granted since the adoption of the share option scheme.

24. RESERVES

	Share premium *RMB'000*	General reserve funds *(Note (a))* *RMB'000*	Capital reserve *(Note (b))* *RMB'000*	Contributed surplus *(Note (c))* *RMB'000*	(Accumulated deficit)/ Retained profit *RMB'000*	Total *RMB'000*
The Group						
As at 1 July 2001	7,160	5,309	13,841	–	63,789	90,099
Profit attributable to shareholders	–	–	–	–	45,030	45,030
As at 30 June 2002	7,160	5,309	13,841	–	108,819	135,129
Profit attributable to shareholders	–	–	–	–	9,623	9,623
As at 30 June 2003	**7,160**	**5,309**	**13,841**	**–**	**118,442**	**144,752**
The Company						
As at 1 July 2001	7,160	–	–	67,614	(1,010)	73,764
Loss attributable to shareholders	–	–	–	–	(1,256)	(1,256)
As at 30 June 2002	7,160	–	–	67,614	(2,266)	72,508
Loss attributable to shareholders	–	–	–	–	(22,365)	(22,365)
As at 30 June 2003	**7,160**	**–**	**–**	**67,614**	**(24,631)**	**50,143**

24. RESERVES *(Continued)*

Notes:–

(a) As stipulated by regulations in the PRC, Techwayson Industrial Limited is required to appropriate 10% of after-tax profit (after offsetting prior year losses) to a general reserve fund until the balance of the fund reaches 50% of its share capital and thereafter any further appropriation is optional. The general reserve fund can be utilised to offset prior year losses, or for the issuance of bonus shares on the condition that the general reserve fund shall be maintained at a minimum of 25% of the share capital after such issuance.

The balance of the general reserve fund has reached 50% of the share capital of Techwayson Industrial Limited and the board of directors has determined that no further appropriation is necessary unless there is an increase in share capital of the company.

(b) Capital reserve represents effect of the group reorganisation and capitalisation of shareholders' loans by a subsidiary.

(c) Contributed surplus of the Company represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of subsidiaries acquired through an exchange of shares pursuant to the group reorganisation on 16 January 2001.

Under the Companies Law (Revised) of the Cayman Islands, share premium and contributed surplus are distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of share premium, capital redemption reserve and contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its share capital account.

As at 30 June 2003, the Company's reserves available for distribution to shareholders amounted to approximately RMB50,143,000 (2002: RMB72,508,000) computed in accordance with the Companies Law (Revised) of the Cayman Islands and the Company's articles of association. This includes the Company's share premium of RMB7,160,000 (2002: RMB7,160,000) and contributed surplus of RMB67,614,000 (2002: RMB67,614,000), less accumulated deficit of RMB24,631,000 (2002: RMB2,266,000), which is available for distribution provided that immediately following the date on which the dividend is proposed, the Company will be able to pay its debts as they fall due in the ordinary course of business.

25. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Acquisition of a subsidiary

During the year ended 30 June 2002, the Group acquired 100% of shares of a subsidiary, Techwire Enterprises Limited. The fair value of assets acquired and liabilities assumed were as follows:

	RMB'000
Investment in securities	51,940
Amount due to a shareholder	(32,882)
Other loan	(19,080)
	(22)
Goodwill on acquisition	22
	–

The subsidiary acquired during the year ended 30 June 2002 utilised RMB32,860,000 for financing activities, but had no significant impact in respect of the Group's net operating cash flows or investing activities.

The subsidiary acquired during the year ended 30 June 2002 made no significant contribution to the Group's turnover and the profit attributable to the shareholders for the year ended 30 June 2002.

26. COMMITMENTS

(a) Capital commitments

	The Group		The Company	
	2003	2002	**2003**	2002
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Authorised and contracted for				
– Investment in a subsidiary	**10,000**	–	**–**	–
– Property under development	**59,500**	115,500	**–**	–
	69,500	115,500	**–**	–

(b) Operating lease commitments

At the balance sheet date, the Group had commitments for future lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

	The Group		The Company	
	2003	2002	**2003**	2002
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within one year	**2,795**	1,337	**–**	–
Between two and five years	**2,897**	1,432	**–**	–
	5,692	2,769	**–**	–

27. CONTINGENT LIABILITIES

The Company has executed corporate guarantee to banks for securing banking facilities granted to its subsidiaries. At the balance sheet date, the amount utilised by the subsidiaries amounted to approximately RMB81,416,000 (2002: Nil).

28. PLEDGE OF ASSETS

Time deposits of RMB6,834,000 (2002: Nil) have been pledged to banks to secure banking facilities granted to the Group.

29. RETIREMENT SCHEMES

From 1 December 2000, the Group has arranged its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group (the employer) and its employees makes monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The contributions from each of the employer and employees are subject to a cap of HK$1,000 per month and thereafter contributions are voluntary.

As stipulated by rules and regulations in the PRC, Techwayson Industrial Limited is required to contribute to a state-sponsored retirement plan for all of its employees at a certain percentage of the basic salaries of its employees. The state-sponsored retirement plan is responsible for the entire pension obligations payable to all retired employees. Under the state-sponsored retirement plan, the Group has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions.

During the year ended 30 June 2003, the aggregate employer's contributions made by the Group amounted to RMB503,000 (2002: RMB217,000). As at 30 June 2003, there were no material forfeitures available to offset the Group's future contributions (2002: Nil).

30. MATERIAL RELATED PARTY TRANSACTIONS

Banking facilities granted to a subsidiary, Techwayson Industrial Limited, to the extent of RMB100 million are secured by a corporate guarantee given by the Company and a personal guarantee given by a beneficial shareholder ("the Guarantor") of Open Mission Assets Limited ("Open Mission"). Open Mission is a major shareholder of a substantial shareholder of the Company. The chairman of the Company, Dr. Sze Kwan, has given a personal counter-indemnity to the Guarantor (2002: Nil).

31. COMPARATIVE FIGURES

The presentation and classification of items in the consolidated cash flow statement have been changed due to the adoption of the requirements of SSAP 15 (revised 2001) "Cash flow statements". As a result, cash flow items from taxation, returns on investments and servicing of finance have been classified into operating, investing and financing activities respectively and a detailed breakdown of cash flows from operating activities have been included on the face of the consolidated cash flow statement. Comparative figures have been reclassified to conform with the current year's presentation.